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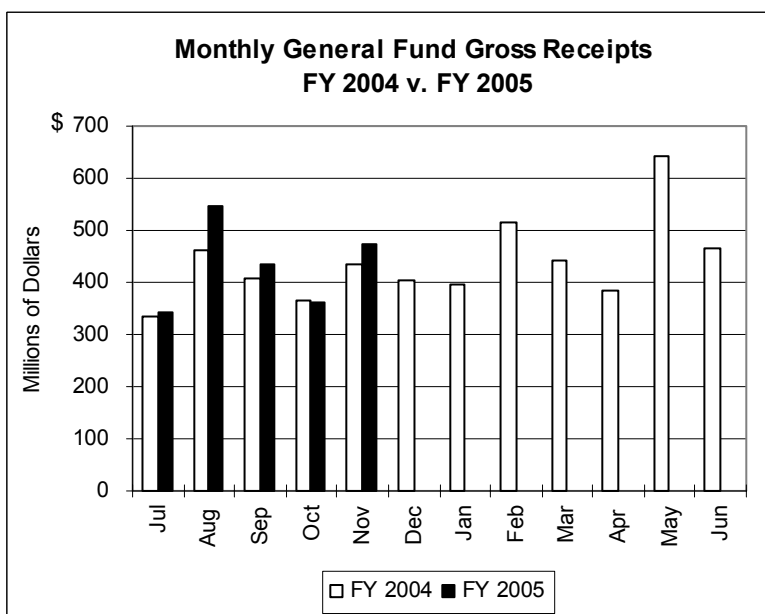
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: December 1, 2004

Monthly General Fund Receipts through November 30, 2004

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.375 billion set by the Revenue Estimating Conference (REC) on October 11, 2004. The FY 2005 estimate is an increase of \$116.8 million (2.2%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference is scheduled for December 14.



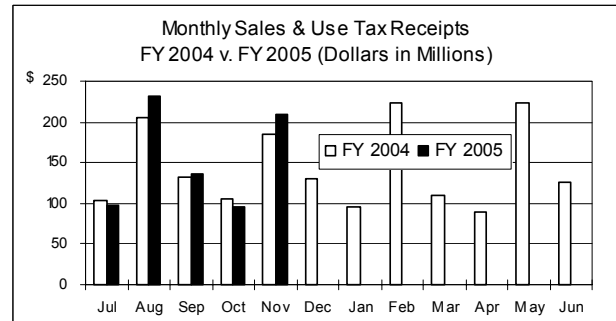
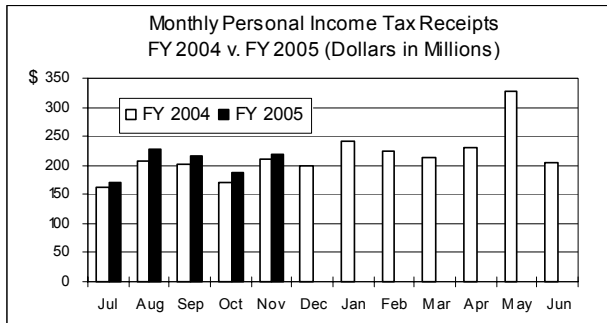
FY 2005 Compared to FY 2004

Fiscal year 2005 total cash gross revenues (excluding transfers) increased \$150.0 million (7.5%) compared to FY 2004 (through November). Major revenue sources contributing to the change include:

- Personal income tax (positive \$68.7 million)
- Sales/use tax (positive \$37.2 million)
- Corporate tax payments (positive \$21.2 million)
- Other taxes (positive \$14.4 million)
- Other receipts (positive \$8.5 million)

Personal income tax revenues received in November totaled \$219.5 million, an increase of \$10.3 million (4.9%) compared to November 2004. For the month, withholding tax payments increased 4.4%. Estimate payments and payments with returns were both up for the month, but are not significant revenue sources in November.

The FY 2005 REC income tax estimate of \$2.695 billion represents a projected increase of 3.9% compared to actual FY 2004. Year-to-date, income tax receipts have increased 7.2%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward. In addition, planned revisions to income tax withholding tables will negatively impact the last few months of FY 2005. The following chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



Sales & Use tax receipts received in November totaled \$209.6 million, an increase of \$24.2 million (13.1%) compared to November 2003. The large increase was due to October 30 and 31 falling on a weekend during 2004. Large quarterly deposits normally start during the last few days of October. The weekend pushed those deposits into early November this year.

The REC estimate for FY 2005 sales/use tax receipts is \$1.763 billion, an increase of 1.8% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 5.1%. The preceding chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

Corporate tax receipts received in November totaled \$11.2 million, a \$1.5 million increase (15.5%) compared to November 2003.

The REC estimate for FY 2005 corporate tax receipts is \$240.4 million, which represents an increase of 2.4% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 31.4%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward.

Other tax receipts received in November were \$13.6 million, a \$1.0 million (- 6.8%) decrease compared to November 2003. Tobacco, beer, franchise, and miscellaneous tax receipts were down for the month.

The REC estimate for FY 2005 receipts from other taxes is \$357.0 million, which represents a decrease of 2.6% compared to actual FY 2004. Year-to-date, other tax receipts have increased 14.4%. The large year-to-date increase is due to insurance premium tax rate and due date changes taking place in FY 2005 and will result in extra revenue in the first eight months of the fiscal year and reduced revenue during the final four months. This will cause the revenue category to appear above projections during those first eight months.

Other receipts (non-tax receipts) received in November totaled \$19.6 million, an increase of \$1.9 million (10.7%) compared to November 2003. Fee and interest revenue increased for the month.

The REC estimate for FY 2005 other receipt revenue is \$319.9 million, which represents a decrease of 3.6% compared to actual FY 2004. The projected decrease relates to transfers from the Unclaimed Property Fund. Year-to-date, other receipts have increased 5.6%. The increase is due to a large unclaimed property transfer in early July.

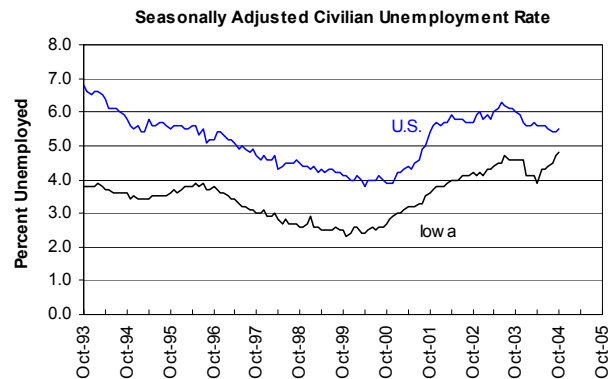
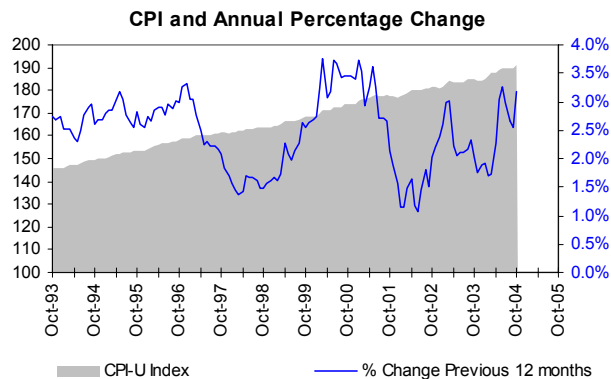
Status of the Economy

The October seasonally adjusted Iowa civilian unemployment rate was 4.8%, an increase of 0.1% compared to the September level and 0.2% higher than one year ago. Iowa's total seasonally adjusted October 2004 employment registered at 1,556,000, up 26,700 (1.4%) from last year's October level.

The number of unemployed persons in Iowa was reported at 79,100 in October, an increase of 4,800 compared to October 2003.

The U.S. unemployment rate for October 2004 was 5.5%, 0.7 percentage points above the Iowa rate. This is as close as the Iowa and national rates have been since September 1987. One year ago, the U.S. unemployment rate was 6.0%.

Consumer prices increased 0.5% during the month of October (not seasonally adjusted). The Consumer Price Index (CPI-U) through October 2004 was 190.9 (1983/84=100), 3.2% higher than one year ago. The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through October.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

| GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through November 30, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers | | | | | ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate | | |
|---|------------|------------|--------------------------|----------------------|--|---------------------|-----------------------|
| | FY 2004 | FY 2005 | Year to Date % CHANGE | November % CHANGE | Actual FY 2004 | Estimate FY 2005 | Projected % CHANGE |
| Personal Income Tax | \$ 951.7 | \$ 1,020.4 | 7.2% | 4.9% | \$ 2,592.3 | \$ 2,694.5 | 3.9% |
| Sales/Use Tax | 733.8 | 771.0 | 5.1% | 13.1% | 1,732.4 | 1,762.9 | 1.8% |
| Corporate Income Tax | 67.5 | 88.7 | 31.4% | 15.5% | 234.8 | 240.4 | 2.4% |
| Inheritance Tax | 34.9 | 35.1 | 0.6% | 1.6% | 80.1 | 72.7 | -9.2% |
| Insurance Premium Tax | 5.4 | 21.7 | 301.9% | 0.0% | 138.2 | 135.0 | -2.3% |
| Cigarette Tax | 35.7 | 36.4 | 2.0% | 10.0% | 87.1 | 86.2 | -1.0% |
| Tobacco Tax | 3.2 | 2.9 | -9.4% | -80.0% | 8.0 | 8.1 | 1.3% |
| Beer Tax | 6.4 | 6.3 | -1.6% | -16.7% | 14.0 | 14.1 | 0.7% |
| Franchise Tax | 12.6 | 11.3 | -10.3% | -22.2% | 38.0 | 39.9 | 5.0% |
| Miscellaneous Tax | 1.9 | 0.8 | -57.9% | -225.0% | 1.1 | 1.0 | -9.1% |
| Total Special Taxes | \$ 1,853.2 | \$ 1,994.7 | 7.6% | 8.4% | \$ 4,926.0 | \$ 5,054.8 | 2.6% |
| Institutional Payments | 5.0 | 5.2 | 4.0% | -20.0% | 13.7 | 13.2 | -3.6% |
| Liquor Profits | 19.3 | 19.3 | 0.0% | 0.0% | 58.0 | 60.1 | 3.6% |
| Interest | 2.5 | 3.5 | 40.0% | 166.7% | 7.6 | 6.0 | -21.1% |
| Fees | 28.0 | 22.5 | -19.6% | 75.0% | 79.9 | 68.2 | -14.6% |
| Judicial Revenue | 19.9 | 20.3 | 2.0% | -3.2% | 57.5 | 57.3 | -0.3% |
| Miscellaneous Receipts | 18.1 | 30.5 | 68.5% | -28.6% | 55.2 | 55.1 | -0.2% |
| Racing and Gaming Receipts | 60.0 | 60.0 | 0.0% | 0.0% | 60.0 | 60.0 | 0.0% |
| TOTAL GROSS RECEIPTS | \$ 2,005.9 | \$ 2,155.9 | 7.5% | 8.5% | \$ 5,257.9 | \$ 5,374.7 | 2.2% |